

Energy Situation Analysis Report

Last Updated: September 10, 2002

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Latest Oil Market Developments

October crude oil futures on the New York Mercantile Exchange (NYMEX) rose 12 cents Monday to settle at \$29.73 per barrel. In early trading on Tuesday (9/10/02), crude oil prices were up slightly, the market holding on to recent gains ahead of this evening's release of API stocks data. Concerns over the U.S./Iraq situation, a stronger U.S. economy, and whether OPEC will increase quotas continued to provide support to oil prices. [more...](#)

Latest U.S. Weekly EIA Petroleum Information

The U.S. average retail price for regular gasoline remained relatively flat from a week ago, increasing by 0.1 cent per gallon as of September 9 to reach 139.5 cents per gallon. This price is 13.2 cents per gallon lower than last year, continuing a trend that has held for most of the summer. Retail diesel fuel prices increased for the fourth week in a row, rising by 0.8 cent per gallon to a national average of 139.6 cents per gallon as of September 9. This is the first time since March 4 in which the average retail diesel price was higher than the average retail regular gasoline price, perhaps signaling an end to the gasoline season. [more...](#)

World Oil Market Highlights

According to fourth quarter 2002 estimates, the world (excluding Iraq) holds about 5.3 million barrels per day of excess oil production capacity that could be brought online within 30 days, over 90% of which lies in OPEC countries. [more...](#)

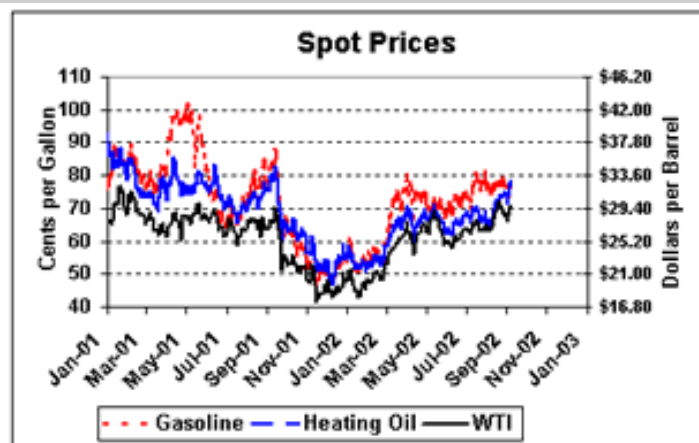
Latest U.S. Weekly Natural Gas Information

Despite considerable day-to-day variability, spot prices have remained largely unchanged since Thursday, September 5, climbing less than a dime at most market locations. Spot prices spiked between 13 and 30 cents per

Energy Prices*

Petroleum Futures		9/9/02	9/6/02	Change
WTI (\$/Bbl)		29.73	29.61	+0.12
Gasoline (c/gallon)		79.00	78.63	+0.37
Heating Oil (c/gallon)		78.62	78.39	+0.23
Natural Gas (\$/MMBtu)				
Henry Hub		3.24	3.38	-0.14
California		2.98	3.07	-0.09
New York City		3.62	3.75	-0.13
Electricity (\$/Megawatthour)				
COB		29.63	28.94	0.69
PJM West		50.15	55.40	-5.25
NEPOOL		69.75	78.50	-8.75
Average		42.07	43.77	-1.70

[*Definitions](#)



Source: Closing quote as reported by Reuters News Service

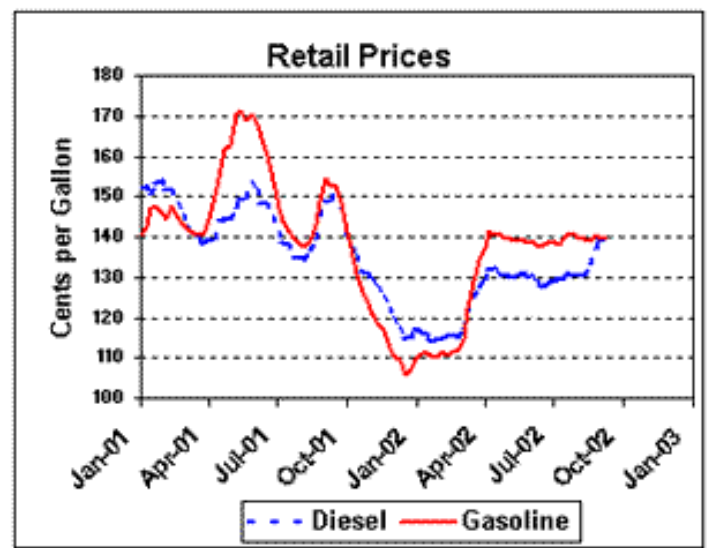
MMBtu on Friday, September 6, but declines of similar magnitude on Monday, September 9 mostly undid Friday's gains. Concerns that Tropical Storm Fay might threaten gas production in the Gulf of Mexico likely contributed to the gains in prices late last week. At the NYMEX, the price of the futures contract for October delivery at the Henry Hub increased slightly, climbing just over 6 cents per MMBtu since Thursday, September 5, to settle at \$3.399 per MMBtu on Monday, September 9.[more...](#)

Latest U.S. Coal Information

For the week ended August 31, the week-to-week coal prices tracked by EIA were virtually unchanged. Average Central Appalachian rebounded from the 50-cent decline last week, Powder River Basin prices averaged about 25 cents lower than the week before, and the rest did not move. Mixed coal prices in recent weeks, but with no overall trend, mirror the differing opinions as to whether prices will continue to decline, and reflect hesitancy among coal buyers.[more...](#)

Latest U.S. Electricity Information

After a large jump in prices on September 6, Northeastern U.S. electricity prices fell yesterday on forecasts of cooler weather for the remainder of the week. In New England prices decreased 11 percent to \$69.75 per megawatthour on September 9. Similarly, prices at the PJM West dropped 9 percent to \$50.15 pr megawatthour on September 9. New York Zone J, New York City, saw prices drop just 1 percent to \$73.94 per megawatthour.
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Latest Oil Market Developments

(updated September 10, 2002)

October crude oil futures on the New York Mercantile Exchange (NYMEX) rose 12 cents Monday to settle at \$29.73 per barrel. In early trading on Tuesday (9/10/02), crude oil prices were up slightly, the market holding on to recent gains ahead of this evening's release of API stocks data. Concerns over the U.S./Iraq situation, OPEC output and a stronger U.S. economy continued to provide support to oil prices.

Conflicting signals from OPEC ahead of the cartel's September 19 meeting in Osaka, Japan are causing some confusion, with several countries calling for no hike in OPEC output quotas and others, particularly Saudi Arabia, appearing to be more open to an increase. In general, oil prices have been driven higher since the Spring by several factors, including: 1) significant cuts in OPEC production quotas during 2001, including an OPEC agreement with non-OPEC at the end of the year (note: increased OPEC "overproduction" above quota levels has mitigated this increasingly in recent months); 2) tensions in the Middle East, particularly speculation over the possibility of U.S. military action against Iraq; and 3) a steep slide in US crude oil inventories.

Topics affecting **world oil markets** include:

- UN officials said that the tanker Shinyo Alliance arrived at Mina al-Bakr, Iraq on Monday, the first ship to load oil at the port since August 21. At least three tankers are scheduled to arrive at Mina al-Bakr in the second half of September to load Basrah Light crude oil, down from about five tankers per week last year. Kirkuk, Iraq's other crude oil grade exported under the UN's oil-for-food program, is shipped from Ceyhan, Turkey.
- An oil strike in Norway spread on Tuesday to include Statoil's Mongstad refinery, Norway's largest. Norway's other refinery at Slagentangen had shut down last week as a result of the strike. The strike could curb crude production from Norsk Hydro's Troll B and C platforms, which send their output to the terminal at the Mongstad refinery via pipelines, when the refinery's storage tanks fill up in five to six days. The refinery had been scheduled to shut down for maintenance from September 18 to October 13.
- As of September 10, 2002, the US Strategic Petroleum Reserve (SPR) contained 582.8 million barrels of oil. The SPR has a maximum drawdown capability of 4.3 million barrels per day for 90 days, with oil beginning to arrive in the marketplace 15 days after a presidential decision to initiate a drawdown. The SPR drawdown rate declines to 3.1 million barrels per day from days 91-120, to 2.1 million barrels per day for days 121-150, and to 1.2 million barrels per day for days 151-180.

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Latest U.S. Weekly EIA Petroleum Information

(updated September 5, 2002)

Refinery Inputs and Production

U.S. crude oil refinery inputs averaged over 15.3 million barrels per day during the week ending August 30, up slightly from the previous week. Increases in PADD I (East Coast), PADD II (Midwest) and PADD V (West Coast) more than compensated for declines in PADD III (Gulf Coast) and PADD IV (Rocky Mountains). Over the last four weeks, crude oil refinery inputs have averaged 15.3 million barrels per day, or slightly more than was averaged last year at this time. Despite the increase in refinery inputs, motor gasoline refinery production dropped last week, while distillate fuel and jet fuel refinery production increased slightly.

Petroleum Imports

U.S. crude oil imports remained about the same compared to the previous week, averaging 9.2 million barrels per day. Crude oil imports into the East Coast averaged 1.8 million barrels per day last week, the highest weekly average since the week ending May 17, 2002. During the most recent four weeks, crude oil imports have averaged nearly 9.3 million barrels per day, or about 100,000 barrels per day less than during the same four-week period last year. Total motor gasoline imports (including both finished gasoline and gasoline blending components) averaged nearly 800,000 barrels per day last week, down from each of the previous two weeks.

Petroleum Inventories

Even with small changes in crude oil refinery inputs and crude oil imports, reported U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) fell by 4.6 million barrels last week. At 298.5 million barrels, they are at the lowest level since the week ending March 16, 2001. Due to the nature of weekly data, occasionally there are weeks in which there is a big movement in reported inventories either up or down that are not easily explained by looking at other components of supply or demand, so this is not too unusual. Motor gasoline inventories last week dropped by 1.5 million barrels, while distillate fuel inventories continued a counter-seasonal trend, falling by 2.0 million barrels.

Petroleum Demand

Total product supplied over the last four-week period averaged 20.2 million barrels per day or about 0.3 percent more than the level last year. Motor gasoline demand has averaged 2.0 percent above last year's level over the last four weeks, while distillate fuel demand has averaged 2.8 percent below last year's level. Kerosene-jet fuel demand over the last four weeks was 6.7 percent below year-ago levels.

Spot Prices (updated September 10, 2002)

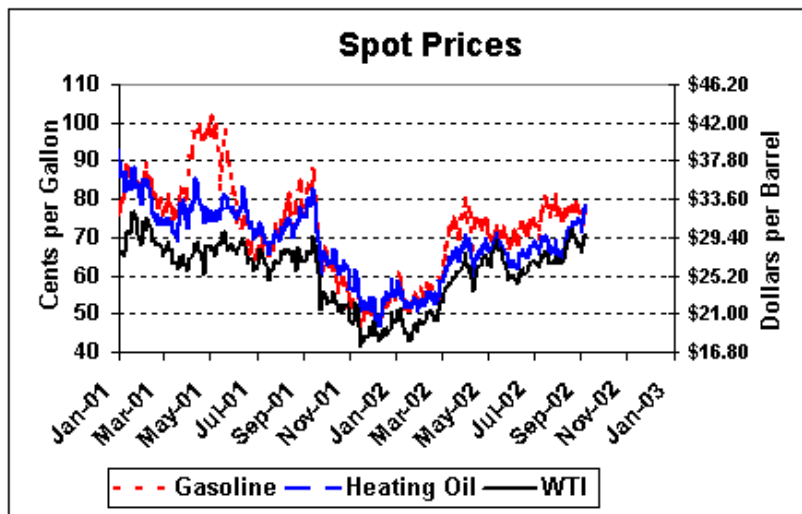
The average world crude oil spot price on September 6, 2002 was \$26.07 per barrel, down \$0.06 from the previous week but \$0.75 more than last year. The price for West Texas Intermediate (WTI) crude oil was \$29.51 per barrel on September 6, 2002, \$0.54 higher than last week and \$1.52 higher than last year. The spot price for conventional gasoline in the New York Harbor was 76.68 cents per gallon, down 0.64 cent from last week and 6.62 cents lower than a year ago. The spot price for low sulfur diesel fuel in the New York Harbor was 78.80 cents per gallon, 2.05 cents above last week but 1.90 cents less than last year.

Retail Gasoline and Diesel Fuel Prices (updated September 10, 2002)

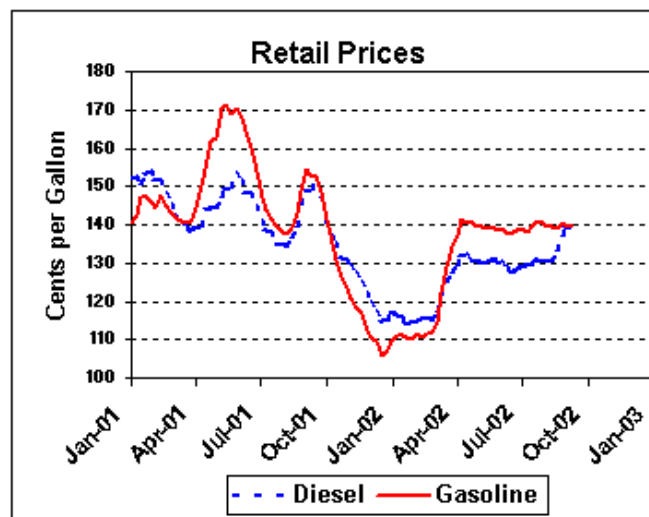
The U.S. average retail price for regular gasoline remained relatively flat from a week ago, increasing by 0.1 cent per gallon as of September 9 to reach 139.5 cents per gallon. This price is 13.2 cents per gallon lower than last year, continuing a trend that has held for most of the summer. Retail diesel fuel prices increased for the fourth week in a row, rising by 0.8 cent per gallon to a national average of 139.6 cents per gallon as of September 9. This is the first time since March 4 in which the average retail diesel price was higher than the average retail regular gasoline price, perhaps signaling an end to the gasoline season. In recent years, diesel prices have been higher in the fall and winter, as harvesting and colder weather put increased pressure on diesel and heating oil prices. Retail diesel prices were up throughout the country, with the largest price increase occurring in the West Coast region, where prices rose by 4.2 cents to end at 154.8 cents per gallon. U.S. diesel fuel prices have shot up 9.3 cents per gallon since August 12, with prices along the West Coast increasing by 14.3 cents per gallon over that same time period.

U.S. Petroleum Prices

(updated September 10, 2002)



Source: Closing quote as reported by Reuters News Service



Source: Energy Information Administration (EIA)

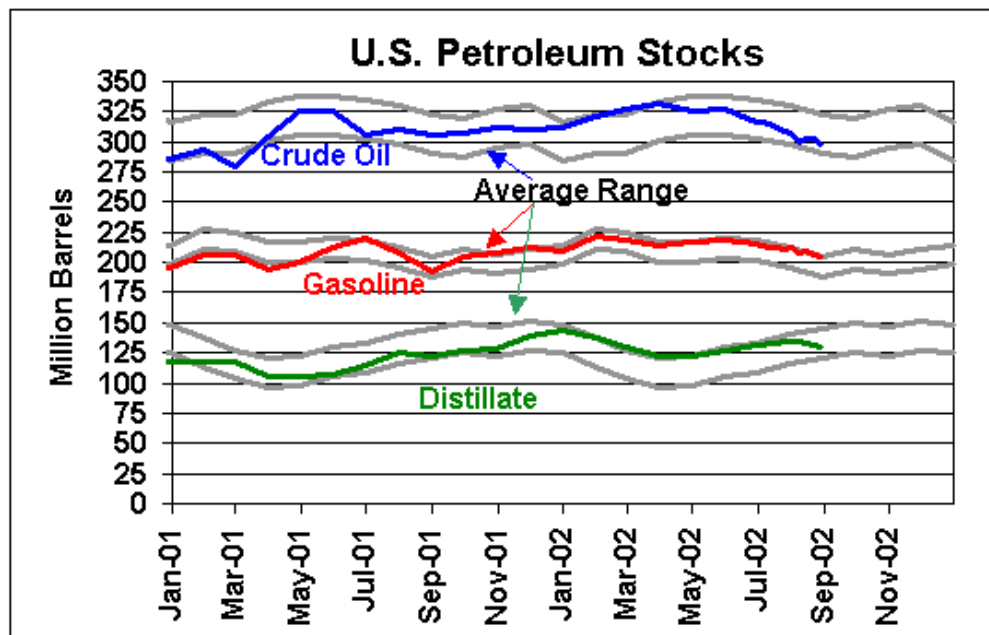
Crude Oil and Oil Products Price Table

Date	WTI Crude Oil		Gasoline		Heating Oil		Kerojet	Propane		EIA Weekly Retail	
	Spot	Futures	Spot	Futures	Spot	Futures	Spot	Spot	Spot	US Average	
	Cushing		NYH		NYH		NYH	Mt. Belvieu	Conway	Gasoline	Diesel
	\$/bbl	\$/bbl	cents per gallon		cents per gallon		c/gal	cents per gallon		cents per gallon	
7/23/2002	\$26.61	\$26.31	75.38	79.52	65.40	65.85	69.18	37.07	35.13	140.7	130.3
7/24/2002	\$26.78	\$26.87	77.48	82.33	67.15	67.60	71.20	37.38	35.00		
7/25/2002	\$26.67	\$26.77	77.15	82.24	66.55	67.41	71.40	37.38	35.00		
7/26/2002	\$26.55	\$26.54	77.34	82.21	66.13	66.75	70.88	37.44	35.57		
7/29/2002	\$26.54	\$26.55	78.66	83.16	66.30	66.60	71.40	37.57	36.07		
7/30/2002	\$27.43	\$27.36	81.13	85.61	68.75	68.87	73.90	37.57	36.07	139.5	130.4
7/31/2002	\$27.02	\$27.02	78.47	83.03	67.04	67.64	72.30	38.63	38.00		
8/1/2002	\$26.51	\$26.47	75.67	76.22	65.70	67.20	70.50	38.94	38.82		
8/2/2002	\$26.87	\$26.84	77.50	77.48	66.10	67.66	70.90	38.32	38.07		
8/5/2002	\$26.55	\$26.58	76.30	76.82	64.40	66.64	69.65	38.29	37.94		
8/6/2002	\$27.18	\$27.17	76.65	77.47	65.70	67.78	70.95	38.63	38.07	139.3	130.3
8/7/2002	\$26.58	\$26.50	75.00	75.46	65.00	66.61	70.45	38.50	38.25		
8/8/2002	\$26.67	\$26.67	74.95	75.54	65.83	67.24	71.38	38.75	39.19		
8/9/2002	\$26.87	\$26.86	75.43	75.50	65.43	67.18	71.18	39.19	39.19		
8/12/2002	\$27.84	\$27.86	76.28	77.75	67.75	69.46	73.32	40.25	40.19		
8/13/2002	\$28.35	\$27.90	76.98	77.38	68.80	69.42	74.38	40.13	40.25	139.2	133.3
8/14/2002	\$28.19	\$28.15	75.88	77.64	68.73	70.14	74.48	40.88	41.63		
8/15/2002	\$28.99	\$29.06	77.82	79.76	71.48	72.78	76.48	41.50	41.75		
8/16/2002	\$29.24	\$29.33	76.50	79.19	72.00	73.45	77.00	41.50	41.88		
8/19/2002	\$29.86	\$29.84	76.50	79.09	72.05	73.39	76.90	42.13	42.88		
8/20/2002	\$30.12	\$30.11	77.70	80.03	72.20	73.80	76.95	42.13	42.88	140.3	137.0
8/21/2002	\$30.37	\$29.24	78.19	80.66	74.00	75.42	79.05	42.88	43.63		
8/22/2002	\$30.11	\$28.84	77.08	79.66	73.91	74.82	78.12	43.07	43.82		
8/23/2002	\$29.99	\$28.63	76.85	79.52	73.40	73.90	77.88	43.38	43.32		
8/26/2002	\$29.23	\$29.28	79.05	82.11	73.55	75.11	78.13	44.75	43.88		
8/27/2002	\$28.84	\$28.83	78.85	81.80	73.88	75.01	78.25	44.75	43.88	139.4	138.8
8/28/2002	\$28.31	\$28.34	76.68	80.18	73.57	74.45	77.73	44.88	43.25		
8/29/2002	\$28.83	\$28.92	77.87	81.32	74.20	75.39	78.43	45.00	43.25		
8/30/2002	\$28.97	\$28.98	77.32	81.42	74.93	74.82	79.03	45.19	43.13		
9/2/2002	NA	NA	NA	NA	NA	NA	NA	NA	NA		
9/3/2002	\$27.76	\$27.79	71.18	74.52	71.55	72.81	75.68	44.13	42.38	139.5	139.6
9/4/2002	\$28.28	\$28.27	73.35	76.22	73.78	75.03	78.15	45.01	42.88		
9/5/2002	\$29.06	\$28.98	75.18	77.66	76.03	77.31	80.18	45.63	44.38		
9/6/2002	\$29.51	\$29.61	76.68	78.63	77.00	78.39	81.15	46.75	45.50		
9/9/2002	\$29.80	\$29.73	77.20	79.00	77.55	78.62	82.05	46.82	45.75		

Source: Spot and futures closing quotes as reported by Reuters News Service, retail prices reported by EIA

U.S. Petroleum Supply

(Thousand Barrels per Day)	Four Weeks Ending		vs. Year Ago	
	8/30/2002	8/30/2001	Diff.	% Diff.
Refinery Activity				
Crude Oil Input	15,342	15,259	83	0.5%
Operable Capacity	16,800	16,662	138	0.8%
Operable Capacity Utilization (%)	92.3%	93.3%	-1.0%	
Production				
Motor Gasoline	8,561	8,277	284	3.4%
Jet Fuel	1,532	1,597	-65	-4.1%
Distillate Fuel Oil	3,498	3,654	-156	-4.3%
Imports				
Crude Oil (incl. SPR)	9,256	9,383	-127	-1.4%
Motor Gasoline	842	729	113	15.5%
Jet Fuel	95	123	-28	-22.8%
Distillate Fuel Oil	183	212	-29	-13.7%
Total	11,423	11,622	-199	-1.7%
Exports				
Crude Oil	30	28	2	7.1%
Products	943	1,020	-77	-7.5%
Total	972	1,048	-76	-7.3%
Products Supplied				
Motor Gasoline	9,129	8,953	176	2.0%
Jet Fuel	1,606	1,717	-111	-6.5%
Distillate Fuel Oil	3,721	3,829	-108	-2.8%
Total	20,220	20,153	67	0.3%
Stocks (Million Barrels)				
	8/30/2002	8/30/2001	Diff.	% Diff.
Crude Oil (excl. SPR)	298.5	308.3	-9.8	-3.2%
Motor Gasoline	205.3	194.4	10.9	5.6%
Jet Fuel	38.9	41.7	-2.8	-6.7%
Distillate Fuel Oil	129.6	122.2	7.4	6.1%
Total (excl. SPR)	1,007.2	1,005.8	1.4	0.1%



Source: Energy Information Administration, Weekly Petroleum Status Report, Petroleum Supply Monthly.

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World Oil Market Highlights

(updated September 10, 2002)

According to fourth quarter 2002 estimates, the world (excluding Iraq) holds about 5.3 million barrels per day of excess oil production capacity that could be brought online within 30 days, over 90% of which lies in OPEC countries.

Major Sources of U.S. Petroleum Imports, Jan.-May 2002*			
(all volumes in million barrels per day)			
	Total Oil Imports	Crude Oil Imports	Petroleum Product Imports
Canada	1.91	1.45	0.46
Saudi Arabia	1.52	1.50	0.02
Mexico	1.48	1.45	0.03
Venezuela	1.33	1.14	0.19
Iraq	0.70	0.70	0.00
Nigeria	0.54	0.51	0.03
United Kingdom	0.39	0.31	0.08
Norway	0.37	0.33	0.04
Algeria	0.32	0.04	0.28
Angola	0.32	0.31	0.01
Total Imports	11.15	8.86	2.29

* Table includes all countries from which the U.S. imported more than 300,000 barrels per day in Jan.-May 2002.

Top World Oil Net Exporters, Jan.-May 2002*		
	Country	Net Exports (million barrels per day)
1)	Saudi Arabia	6.64
2)	Russia	4.81
3)	Norway	3.18
4)	Iran	2.43
5)	Venezuela	2.34
6)	United Arab Emirates	1.92

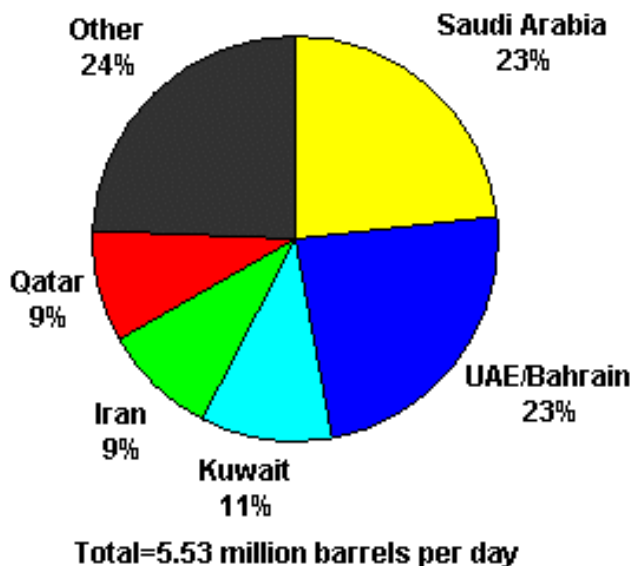
7)	Nigeria	1.86
8)	Iraq	1.65
9)	Kuwait	1.60
10)	Mexico	1.67
11)	Algeria	1.21
12)	Libya	1.17

**Table includes all countries with net exports exceeding 1 million barrels per day in Jan.-May 2002.*

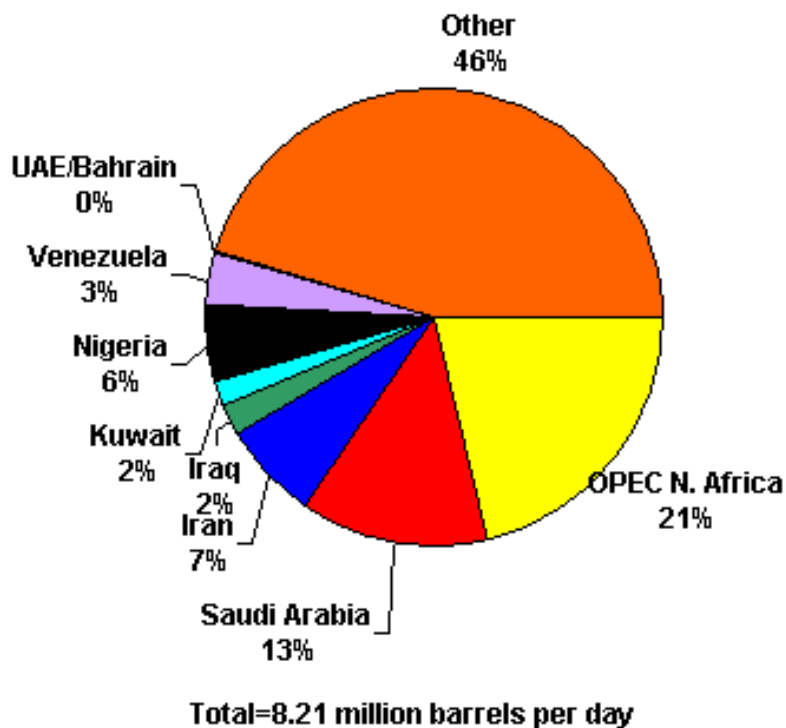
During the first five months of 2002, about half of U.S. crude oil imports came from the Western Hemisphere (17% from South America, 16% from Mexico, 15% from Canada, 2% from the Caribbean), while 27% came from the Persian Gulf region (17% from Saudi Arabia, 8% from Iraq, 2% from Kuwait).

In general, OECD Europe depends far more heavily on the Persian Gulf and North Africa for oil imports than the United States. During the first quarter of 2002, about 25% of OECD Europe's net oil imports came from the Persian Gulf (mainly Saudi Arabia, Iran, Iraq, and Kuwait), around 28% from Africa (mainly Libya, Algeria, and Nigeria), and much of the remainder from Russia. Japan receives over three-quarters of its oil supplies from the Persian Gulf (mainly the UAE, Saudi Arabia, Kuwait, Iran, and Qatar) with the remainder coming from Indonesia, China, and other sources.

Japanese Net Oil Imports by Country, 1Q 2002



OECD European Net Oil Imports by Country, 1Q 2002



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Definitions

Petroleum

WTI – West Texas Intermediate (for the purposes of this table, prices provided are near month futures price) Cushing OK.

Bbl – Barrel (42 gallons).

C's – cents.

Natural Gas

Henry Hub – A pipeline hub on the Louisiana Gulf coast. It is the delivery point for the natural gas futures contract on the New York Mercantile Exchange (NYMEX).

Electricity

COB – average price of electricity traded at the California-Oregon and Nevada-Oregon border.

Palo Verde - average price of electricity traded at Palo Verde and West Wing Arizona.

Average - average price of electricity traded at all locations.



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Latest U.S. Weekly Natural Gas Information

(updated September 10, 2002)

[Industry/Market Developments](#)

Standard & Poor's Details Liquidity Issues Before Energy Merchants: Liquidity assessments have become the most crucial component of analyzing the creditworthiness of many energy merchant companies, according to Standard & Poor's. In a recent update on the credit difficulties among marketers, Standard & Poor's said that several ongoing trends have heightened liquidity concerns, noting the survival of several companies will depend on their ability to maintain adequate levels of liquidity over the next several months. In 2002, funds from operations for energy merchants have declined dramatically, owing to both declining commodity prices (particularly power prices) and decreased trading following the Enron bankruptcy. At the same time, several companies are selling assets to meet near-term debt maturities and reduce their debts. According to Standard & Poor's, while the assets provide immediate cash relief, the benefits of the sales are not yet known because companies may be selling assets that generated stable cash flow. Lastly, energy merchants are facing tougher access to capital, and onerous covenants in new bank debt could further reduce financial flexibility. Credit analysts predict that credit quality in the utilities and competitive energy sector will remain under pressure into 2003.

[Storage](#)

Working gas in storage was 2,781 Bcf for the week ended Friday, August 30, 2002, according to the EIA Weekly Natural Gas Storage Report. This is 12.5 percent above the 5-year average for the report week, and almost 8 percent above the level last year for the same week. Moreover, this is roughly 53 Bcf or nearly 2 percent above the level entering the heating season at the end of October 2000. The implied net injections were 65 Bcf, which is roughly 5 percent above the 5-year average of 62 Bcf for the report week.

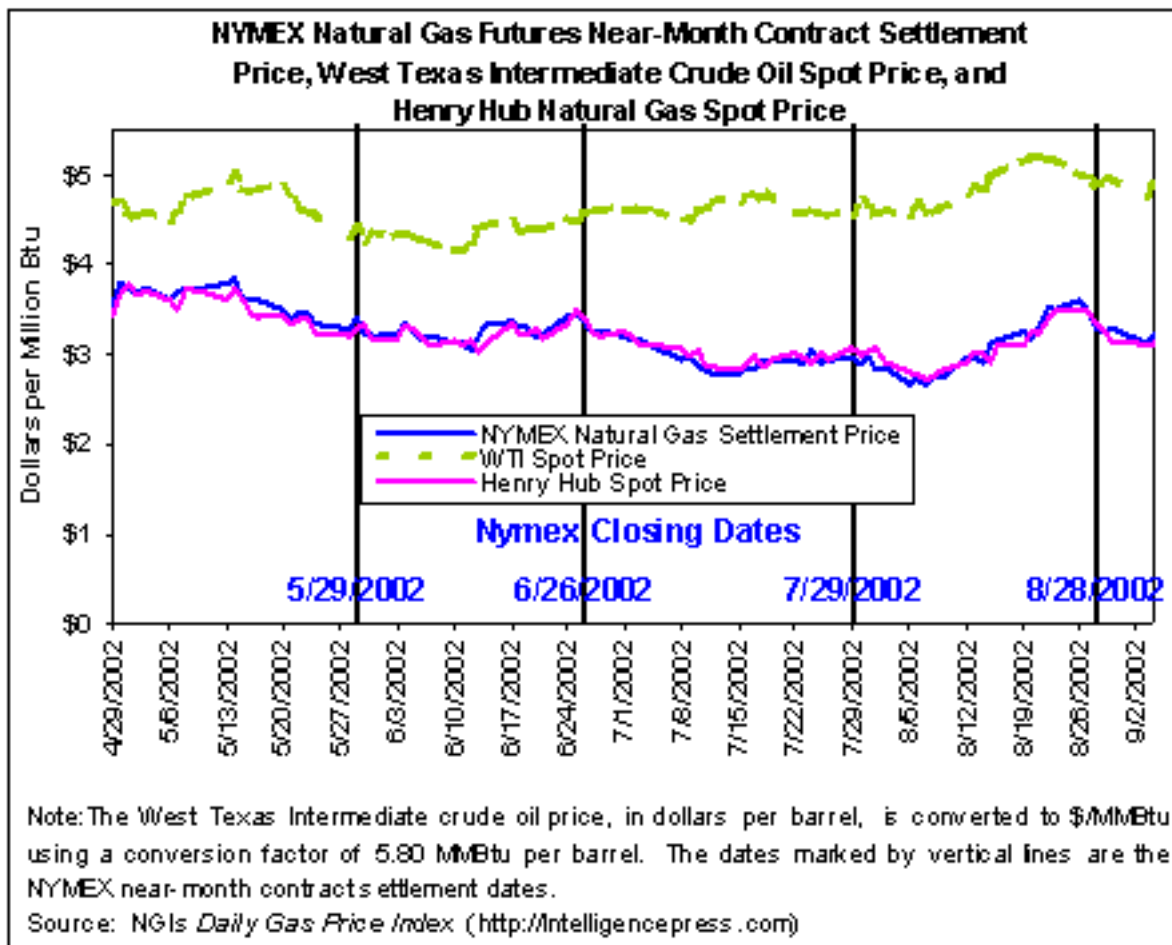
All Volumes in Bcf	Current Stocks 8/30/2002	Estimated Prior 5-year (1997-2001) Average	Percent Difference from 5-Year Average	Implied Net Change from Last Week	One- Week Prior Stocks 8/23/2002
East Region	1,590	1,496	6.3%	53	1,537
West Region	381	318	19.8%	5	376
Producing Region	810	656	23.5%	7	803
Total Lower 48	2,781	2,471	12.5%	65	2,716

Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database.

Prices:

Despite considerable day-to-day variability, spot prices have remained largely unchanged since Thursday, September 5, climbing less than a dime at most market locations. Spot prices spiked between 13 and 30 cents per MMBtu on Friday, September 6, but declines of similar magnitude on Monday, September 9 mostly undid Friday's gains. Concerns that Tropical Storm Fay might threaten gas production in the Gulf of Mexico likely contributed to the gains in prices late last week. Another contributing factor to Friday's price increases included higher cooling demand in the Northeast as temperatures were expected to increase over the weekend. However, by Monday, the price increases largely proved transitory as the threat from Fay passed and cooler temperatures were expected in the Northeast.

At the NYMEX, the price of the futures contract for October delivery at the Henry Hub increased slightly, climbing just over 6 cents per MMBtu since Thursday, September 5, to settle at \$3.399 per MMBtu on Monday, September 9. Similarly, prices of the futures contracts for delivery during the heating season months all climbed between 6 and 9 cents since Thursday, September 5.



<i>Trade Date (All prices in \$ per MMBtu)</i>	California Composite Average Price*	Henry Hub	New York City	Chicago	NYMEX futures contract-October delivery	NYMEX futures contract-November delivery
8/12/2002	2.70	2.91	4.10	2.82	3.001	3.316
8/13/2002	2.76	3.03	4.90	2.95	3.018	3.328
8/14/2002	2.74	3.03	4.38	2.96	2.955	3.267
8/15/2002	2.65	2.92	4.07	2.86	3.172	3.457
8/16/2002	2.76	3.10	3.64	3.02	3.208	3.488
8/19/2002	2.77	3.10	3.49	3.00	3.327	3.602
8/20/2002	2.90	3.26	3.66	3.16	3.226	3.498
8/21/2002	2.84	3.22	3.67	3.11	3.339	3.601
8/22/2002	2.93	3.38	3.76	3.23	3.591	3.828
8/23/2002	3.01	3.49	3.78	3.35	3.543	3.785
8/26/2002	3.15	3.51	3.74	3.42	3.676	3.919
8/27/2002	3.11	3.48	3.67	3.39	3.531	3.784
8/28/2002	3.05	3.33	3.49	3.25	3.403	3.673
8/29/2002	3.01	3.26	3.43	3.22	3.250	3.555
8/30/2002	2.82	3.12	3.37	3.13	3.296	3.626
9/3/2002	2.93	3.10	3.41	3.12	3.132	3.487
9/4/2002	2.93	3.12	3.44	3.15	3.193	3.543
9/5/2002	2.96	3.19	3.50	3.20	3.342	3.654
9/6/2002	3.07	3.38	3.75	3.40	3.265	3.605
9/9/2002	2.98	3.24	3.62	3.23	3.399	3.744

* Average of NGI's reported average prices for: Malin, PG&E citygate, and Southern California Border Average.

Source: NGI's Daily Gas Price Index (<http://intelligencepress.com>)

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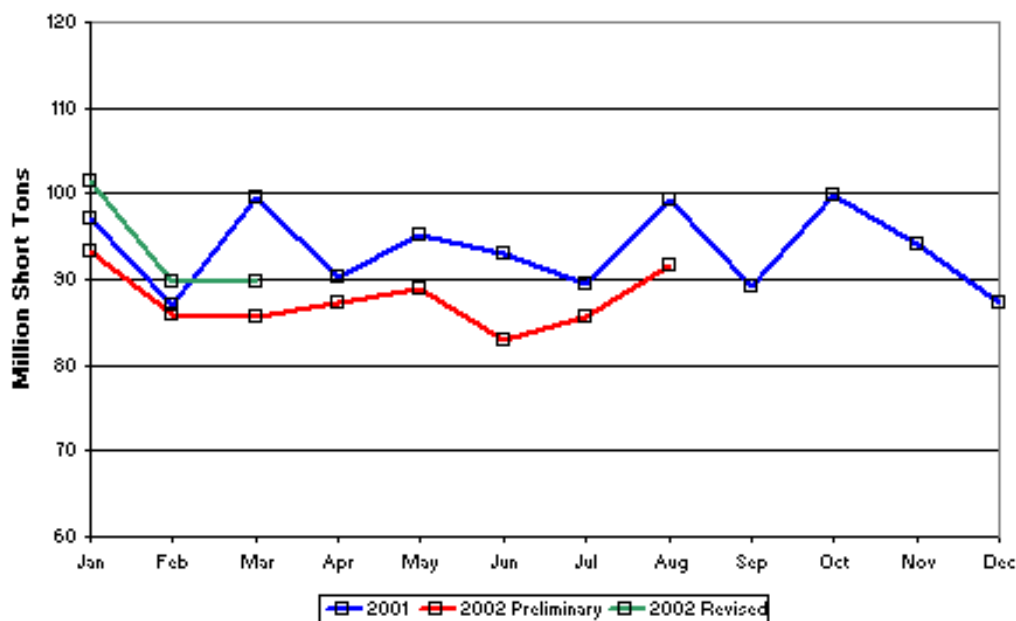
Latest U.S. Coal Information

(updated September 10, 2002)

Coal Production

For the week ended August 31, rail car loadings of coal were 2.8% lower while national [coal production](#) was 6.2% lower, compared to year-ago levels. Year-to-date, western U.S. coal production is 1.9% below the levels of a year ago, whereas eastern U.S. coal production is estimated to be 7.1% below last year's level. The estimated production for the first eight months of 2002 was 717.7 million short tons (mst), 4.4% lower than the 750.7 mst in the first seven months of 2001.

U.S. Monthly Coal Production



Lower production at this time results from large coal stockpiles at mines and at consuming facilities due to slowed economic activity and an extended spring period of low seasonal demand at many electric power plants. EIA estimates that coal stockpiled in the electric power sector at the end of March was 29.5% higher than in March 2001, and that by May 2002 stockpiled coal was 18.2% percent higher than 12 months earlier. In the first and second quarters of 2002, coal production exceeded coal use and consequently stockpiles built up much above planned levels. Cumulative weekly coal production volumes are down more (in absolute terms) than cumulative rail car loadings. This reflects a rundown in producer and distributor stockpiles as a greater-than-usual portion of coal shipments are loaded from previously mined production. The stock rundown (and its dampening impact on production) will continue until coal stockpiles attain normal levels.

It appears that there was about a 30 million ton overage in the supply chain following the first quarter of 2002, so it was expected to take several months of curtailed production to reduce the excess producer and distributor stocks. With warmer-than-normal temperatures in most of the country in July through August, inventories at electricity generators have started down. Would-be buyers, however, are finding coal producers holding firm on price demands. Analysts at a

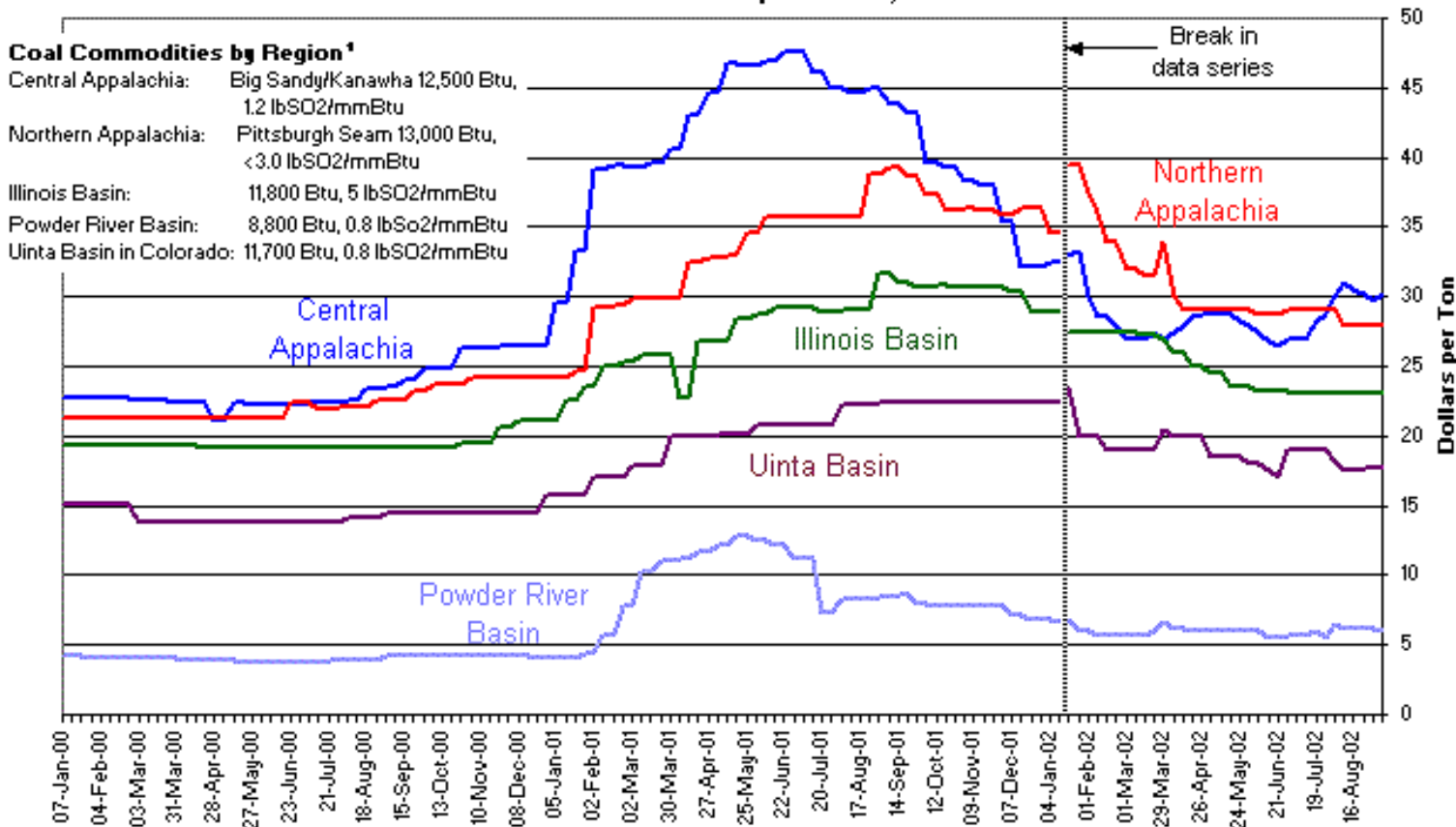
recent Lehman Brothers conference, meanwhile, believe that consumer stockpiles at the end of August are still higher than normal for the time of year-possibly about a 10 million ton overage. While some eastern mines are back in production, the major suppliers are keeping a number of large mines idle awaiting better prices for contract coal. Supplies of eastern compliance coal are reportedly tight as the unusually protracted pricing standoff continues and most buyers, with still a comfortable stockpile cushion, forestall buying activity.

Coal Prices

For the week ended August 31, the week-to-week coal prices tracked by EIA were virtually unchanged (graph below). Average Central Appalachian rebounded from the 50-cent decline last week, Powder River Basin prices averaged about 25 cents lower than the week before, and the rest did not move. Mixed coal prices in recent weeks, but with no overall trend, mirror the differing opinions as to whether prices will continue to decline, and reflect hesitancy among coal buyers. Relatively few buyers are in the market, as most electric power generators have enough coal on hand for anticipated remaining summer consumption and, with scattered mild weather in September, some may have larger than average stockpiles even at the end of the summer.

Compared to peak prices in summer 2001, Central and Northern Appalachian coal prices are down by about \$17.00 and \$11.00 per short ton, respectively. Compared to the previous floor in the summer of 2000, prior to the 2001 escalation, the latest indexed spot prices of \$30.25 per short ton for Central Appalachian and \$28.00 per short ton for Northern Appalachian coal are higher by 36% and 31% respectively. Other prices are also running higher than the summer 2000 base: by 29% for the Uinta Basin, 20% for the Illinois Basin, and 60% for the Powder River Basin. Significantly, since the week ended August 2, the average spot price for largely compliance Central Appalachian coal (see graph) has continued to stay above that of Northern Appalachian Pittsburgh seam coal, as had long been the norm prior to November 2001.

Average Weekly Coal Commodity Spot Prices Week Ended September 6, 2002



¹Prior to January 11, 2002, EIA averaged 12-month "forward" spot prices for several coal specifications; after that date, coal prices shown are for a relatively high-Btu coal selected in each region, for delivery in the "prompt" quarter. The "prompt quarter" is the next calendar quarter, with quarters shifting forward after the 15th of the month preceding each quarter's end.

Source: with permission, selected from listed prices in Platts Coal Outlook, "Weekly Price Survey"

Over-the-counter (OTC) trading volumes on the [NYMEX](#) were low throughout the month of August. The past week saw, again, limited activity. Offered prices for 2002 deliveries dipped to \$28.70 with all months in 2003 remaining above \$30.00.

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Latest U.S. Electricity Information

(updated September 10, 2002)

Selected Wholesale Electricity Prices: Western U.S. spot electricity prices were mixed yesterday (September 9), increasing in the northwest and decreasing in California and the desert southwest. At the Mid-Columbia trading center, a benchmark for northwest power prices, prices have been increasing for the past two trading days primarily due to a decrease in available hydro generation and the unplanned outage at Transalta's 1,404 megawatt Centralia unit. Prices in California and the desert southwest fell as cooler weather lowered electricity demand. Prices at the NP 15, in California, decreased to \$32.73 per megawatthour on September 9. Similarly, prices at the Four Corners trading center, in Arizona, dropped to \$32.75 per megawatthour on September 9.

Electricity prices in the Mid-continent region have been increasing over the past three trading days as warmer weather has increased the demand for electricity. Cinergy's price has increased almost \$13.00 from its low of \$30.97 per megawatthour on September 4 to \$43.25 per megawatthour on September 9.

After a large jump in prices on September 6, Northeastern U.S. electricity prices fell yesterday on forecasts of cooler weather for the remainder of the week. In New England prices decreased 11 percent to \$69.75 per megawatthour on September 9. Similarly, prices at the PJM West dropped 9 percent to \$50.15 pr megawatthour on September 9. New York Zone J, New York City, saw prices drop just 1 percent to \$73.94 per megawatthour.

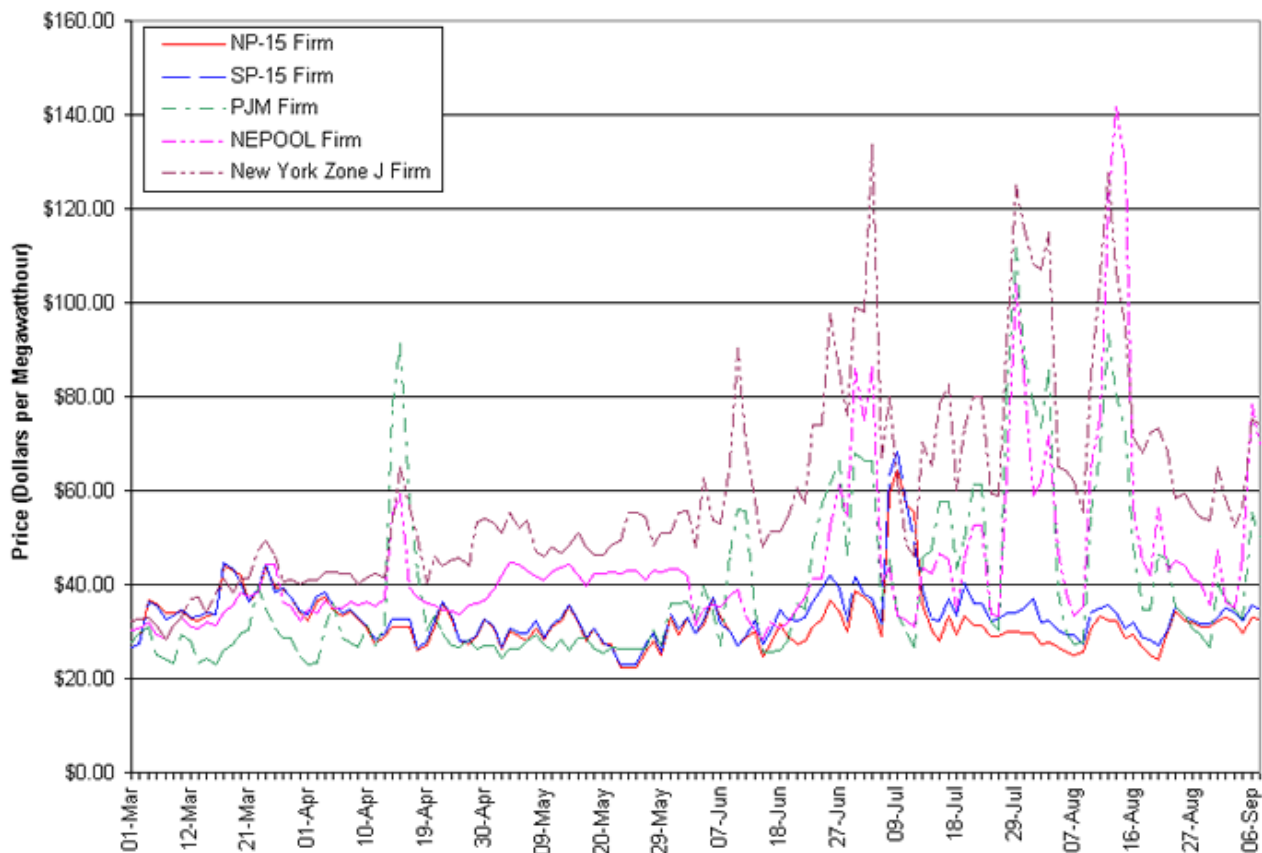
Over the past seven days, the average price at all trading centers has ranged between \$34.08 and \$43.77 per megawatthour.

U.S. Regional Electricity Prices at Major Trading Centers (Dollars per megawatthour)

Trading Centers	Date							Price Range		
	8/30/02	9/2/02	9/3/02	9/4/02	9/5/02	9/6/02	9/9/02	Max	Min	Average
COB	28.00	No data available due to the Labor Day Holiday	27.75	27.25	24.75	28.94	29.63	29.63	24.75	27.66
Palo Verde	31.66		34.78	34.21	32.14	34.67	33.16	34.78	31.66	33.79
Mid-Columbia	25.58		25.16	22.91	20.63	25.77	26.31	26.31	20.63	24.16
Mead/Marketplace	35.93		37.14	36.81	35.03	37.70	36.57	37.70	35.03	36.65
4 Corners	31.00		35.05	34.56	33.40	34.75	32.75	35.05	31.00	34.10
NP 15	32.44		33.13	31.84	29.59	33.03	32.73	33.13	29.59	32.06
SP 15	33.09		35.02	34.13	32.31	35.57	34.54	35.57	32.31	34.31
PJM West	40.35		36.98	34.61	32.63	55.40	50.15	55.40	32.63	41.95
NEPOOL	47.50		36.28	35.13	46.00	78.50	69.75	78.50	35.13	53.13
New York Zone J	65.00		58.50	52.50	56.50	75.25	73.94	75.25	52.50	63.34
Cinergy	35.36		31.51	30.97	34.57	41.93	43.25	43.25	30.97	36.45
Average Price	36.90		35.57	34.08	34.32	43.77	42.07	43.77	34.08	37.96

Sources: COB, Palo Verde, Mid-Columbia, Mead/Market Place, Four Corners, NP-15, SP-15, PJM-West, NEPOOL, New York Zone J, and Cinergy trading centers. Used with permission from Bloomberg L.P. (www.bloomberg.com).

COB: Average price of electricity traded at the California-Oregon and Nevada-Oregon Borders.
Palo Verde: Average price of electricity traded at Palo Verde and the West Wing, Arizona.
Mid-Columbia: Average price of electricity traded at Mid-Columbia.
Mead/Market Place: Average price of electricity traded at Mead Market Place, McCullough and Eldorado.
Four Corners: Average price of electricity traded at Four Corners, Shiprock, and San Juan, New Mexico.
NP-15: Average price of electricity traded at NP-15.
SP-15: Average price of electricity traded at SP-15.
PJM-West: Average price of electricity traded at PJM Western hub.
NEPOOL Average price of electricity traded at Nepool.
New York Zone J: Average price of electricity traded at the New York Zone J - New York City.
Cinergy: Average price of electricity traded into the Cinergy control area.

Average Wholesale Electricity Prices in the U.S.

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